

R E P O R T O F



COMPARATIVE VALUE INDEX

VOL. III, Number 2

February, 1985

Price \$1.00

Gold Commems Zoom by Market Indicators While Type Coins Command Respect.

DALLAS — Gold Commems turned on the afterburners in December and January leaving behind the Market Average. For the two months respectively, the Market CVI™ closed up at 159.5 for December and up to 162.9 for January. For the two month period, the market was up a very respectable 6%, but Gold Commems set a torrid pace with a gain of over 12%!

In any other month Type Coins would have reaped market performance honors with their showing for the two months with an 8% gain.

For the year of 1984, the Market CVI™ grew from 141.0 to 159.5, a gain of 18.5 points for an annual increase of over 13%. Type Coins took the honors for the year with an annual gain of over 2.5%, while Gold Commems were close behind with a gain of over 20%. Other finishers for the year were Silver Dollars (8%), Silver Commems (6%), and Gold (5%).

Month Ending	Market	Type Coin	Gold Type	Silver Commem	Gold Commem	Dollars
January	137.5	157	127	109	121	131
February	137.8	158	127	109	119	131
March	141.7	163	131	109	124	134
April	150.0	177	137	109	133	136
May	151.6	179	137	109	140	140
June	150.1	179	132	109	140	140
July	146.0	174	127	109	127	140
August	140.2	163	123	110	124	139
September	144.7	170	127	112	130	139
October	149.4	178	130	114	135	140
November	153.5	187	131	115	137	140
December	159.5	197	135	116	146	142
January, 1985	162.9	202	137	118	156	143

Undervalued Market Areas

A year ago, Silver Commems were the most undervalued area of the market with a growth potential of over 26% in order to rise to market averages. Currently, Silver Commems still offer the most growth potential to parallel market averages. However, Gold Commems have moved from the number two spot on the most undervalued list to number four, reflecting their sharp increases in value in recent months. One only has to wonder how long will it take for Silver Commems to substantially increase to catch market averages.

Leading Market Segment

Type Coins are still the most popular market segment although recent performance by Gold Commems has propelled that category to be the leading segment in appreciation over the last two months. In the Type Coin CVI™, silver coins are leading the pack with a growth of 8.8% for the last two months, and trailed closely by nickel coins with growth of 8.3% for the same period. Copper coins have performed quite respectively with growth of 5.5%, which would be one of the segment leaders ahead of the Gold Type CVI™ and the Silver Dollar CVI™ were the copper coins reported separately.

Steve Ivy and Jim Halperin, Numismatists

HERITAGE  RARE COIN
G A L L E R I E S

Bust Halves: 1794-1839

Doug Winter, NLG

The Half Dollar denomination was authorized by the Act of April 2, 1792. Coinage began in 1794. Robert Scot and his assistant, John Smith Gardner, engraved the dies. The Flowing Hair design was employed on the obverse while the Large Eagle design was used for the reverse.

Approximately 5,300 Half Dollars were struck in (and dated) 1794. They can be divided into two principal subvarieties. On the first, the lowest curl is at the second star; on the second the lowest curl is pierced by the first star. This second subvariety is the one which is more frequently seen but only one die variety within this group (Overton-101; 21 reverse berries divided 10x11) is readily obtainable. As a date, the 1794 is rare and is usually found in lower grades. Any pleasing, original coin grading Very Fine is rare; a strict Mint State example is exceptionally rare (none have been offered since the Stack's 10/75 coin). Invariably, 1794 Halves have been cleaned and display significant surface marks; most are quite weakly struck at their centers and right peripheries.



1794. A "typical" example which is well worn and shows obvious signs of a cleaning. The reverse is unusually well struck; note the detail on the eagle's wings and head.



1795. Two leaves below each wing. The central obverse displays "adjustment marks" which are commonly seen on 19th century coins.



The Half Dollars of 1795 contain no less than 32 die varieties. These can be ordered, as well, into many major varieties. Some of the more spectacular die varieties include the "STATES over STETES" (O-113) and the "STATES over STATED" (O-129).

Although many collectors are unaware of this fact, both Scot and Gardner simultaneously cut dies for the 1795 Half Dollars. Both had a distinctive style which, in turn, produced a number of major varieties for the year. On the obverse there are two major head designs. Robert Scot's features a large Liberty Head with a rounded point; John Smith Gardner's (found on Overton numbers 126, 127 and 128) has a smaller head with a sharper bust point. Compare, as well the curve of the truncation and the shape of the lower curl; Scot's design has a rounded curl while Gardner's is much straighter. The differences of these two designers is also apparent on the reverse. Gardner's wreath is very heavy in its execution with three leaves on the branch opposite TE in STATES. There is, as well, a distinctive dot in the field below the bow knot (possibly placed there by Gardner as a sort of signature). The reverses attributed to Gardner are Overton numbers 108, 109, 110 and 111.

There are, as well, two edge types known for 1795 Half Dollars. On the first there are two stars after FIFTY and DOLLAR. On the second there are three stars after both of these words. It is not known which of these edge types are attributable to which specific engraver.

As a date, the 1795 is much more common than the 1794. Most of the surviving coins

grade AG to Very Fine. A strict Extremely Fine is rare, an AU is very rare and a strict Mint State is excessively rare.

In 1796 the design was changed. Robert Scot (with assistance from John Eckstein) created the Draped Bust obverse and paired this with his Small Eagle reverse. This was to last for only two years and it is, today, one of the rarest of all U.S. coin types. In 1796 there were fifteen and sixteen obverses; in 1797 there was only a fifteen star obverse. A total of 3,918 were coined between the two years; an exact breakdown by year and/or type is, at present, impossible.

While the 1796-97 are the most highly-prized dates in the entire Bust Half Dollar series, they are, ironically, one of the commonest pre-1806 issues in Mint State. Possibly as many as a dozen 1796 Halves have claims to Mint State. The finest of the 15 star variety are prooflike presentation pieces (cf: James Stack Estate, the Granberg coin and Lichtenfels II: 1289, ex Judd, Allenberger). The finest of the 16 star variety are also prooflike presentation pieces (cf: Reed Hawn: 7 and the Col. Green/Beistle plate coin). The 1797 appears to be a rarer coin in Mint State but is of nearly identical rarity to the 1796 in lower grades.

Production of Half Dollars was suspended in 1797 and did not resume until 1801. Another design change was instituted by the Mint; this time Scot was asked to execute a Heraldic Eagle reverse which was derived from the Great Seal of the United States.



1801. This is a very rare and underrated date in all grades. The specimen illustrated here is somewhat above average. Note the diagnostic reverse rim break at 7:00 and the weakness of strike at the peripheral obverse.

1801 Half Dollars are very scarce and underrated. Two varieties are known. On the first (O-101), the second A in AMERICA does not touch the wings; on the second (O-102), this letter is embedded in the wing feathers. Both of these varieties are usually found in low grades and both are excessively rare in Mint State. Many 1801 Halves show heavy die clashes, die pits and rust marks; the reverse is always weak especially at the right side of the shield.

The 1802 Half Dollar is similar in rarity to the 1801. On the whole, this date is found more sharply struck than the 1801 but most specimens are rather weak at their centers. Mint State examples are, again, excessively rare.

In 1803, the production of Half Dollars was significantly increased; 188,234 were struck compared to only 60,179 struck in 1801 and 1802 combined. There are three varieties. Two have a Large 3 in the date; of these one has small reverse stars while the other has large reverse stars. The third variety has a Small 3. All are of equal rarity. The typical 1803 Half Dollar is flat on the stars and weak on the shield. In Mint State this date is rare but not nearly as much so as the 1801 and 1802.

No Half Dollars were coined in 1804. Coinage resumed in 1805. The first varieties struck this year were 1805/4 overdates. Four die varieties were recorded by Overton; two have close dates (O-101 and O-102) while one has a wide date (O-103; this is quite rare). The perfect date 1805's can be divided into two primary types: Small 5 and Large 5. The former

is scarcer and is found on only one die variety (O-107). The overdate is, in turn, quite a bit scarcer than the normal date(s). The typical 1805 Half Dollar is erratically struck with the stars, upper hair and center of the shield showing most significant flatness. Pieces are readily obtainable in grades up to and including Choice Extremely Fine; AU's are rare and strictly Mint State pieces are extremely rare and greatly underrated.

The 1806 coinage also includes an overdate; the 1806/5 (Overton numbers 101-104). The two primary varieties of normal dates are the Knobbed 6 (with or without the olive branch's stem through the claw) and the Pointed 6 (again, with or without the stem through the claw). The most interesting variety is the "1806/9" (O-111 and 112). This blunder was caused when the final digit was inadvertently inverted and then corrected. The rarest variety is, however, the "STATES over STATAS" (O-124) of which only a handful are known.

As its high mintage of 839,576 would suggest, the 1806 is the most common of all pre-1807 Halves. Finding a very sharply struck specimen is nearly impossible as is locating a strictly Uncirculated coin.

The last year of the Bust Right, Heraldic Eagle type Halves was 1807. 301,076 pieces were struck and a good number (proportionately) of these have survived. As a minimal number of dies were employed to strike these coins, many show extensive die breaks and clashmarks. The typical strike is, as one might guess, quite poor with the hair, denticles and eagle's neck often appearing more worn than the rest of the coin.

In 1807, John Reich was hired by the U.S. Mint and given the task of redesigning all gold and silver denominations. Reich's design for the Half Dollar featured a Capped Bust Left device (also known as the "Turban Head") on the obverse; on the reverse an eagle grasping an olive branch and arrows is positioned above the denomination; the motto and legend are above. In 1809 the design was slightly modified; most noticeable are a general shrinking of Ms. Liberty and the eagle, an enlarging of Ms. Liberty's ear and a spreading of the eagle's talons.

The "Large Head and Eagle" type of 1807-1808 is very popular with type collectors. The 1807 Halves come with Small Stars (O-113) and Large Stars (O-114). An interesting blunder shows the 5 in the value originally cut over a 2. The so-called "50/20" reverse (O-111 and O-112) is, infrequently, found with a spectacular "beard-like" break running from Ms. Liberty's jaw to her upper breast. The 1808 coinage contains an 1808/7 overdate; like the 1807 this date is common in lower grades but very rare in Mint State.

The "Reduced Head and Eagle" type entails the 1809-11 coinages. In 1809 the Mint employed two experimental edge types ("XXXX" and "IIII") which are much scarcer than the normal edge types. The 1810 coinage contains no significant varieties; for 1811 there exists an 1811/10, a Small 8 and a Large 8.

In 1812 there was a subtle change made on the obverse. If one looks carefully, Ms. Liberty's curls are in higher relief and appear much coarser. Two 1812/11 overdates are known. The one with a Small 8 (O-102) is common; the one with a Large 8 (O-101) is very rare. The Normal Date varieties all have a Large 8; Mint State coins are a bit less rare than for the 1811.

The 1813 Half Dollars are often found with heavy clashmarks, poor centering and a generally poor quality of strike. The most interesting of the ten die varieties is the "50 C. over UNI" blundered reverse (O-101). This variety, while scarce, is not nearly as rare as is sometimes claimed.

The 1814 Half Dollars are also (in)famous for their poor quality of strike and die imperfections. An overdate (1814/3) is known but it only commands a 10% premium. The best

known variety is the "Single Leaf" (O-105a). This was caused by heavy die lapping which removed the leaf below the eagle's wing.



1814. The heavy clashmarks in the left obverse field and the metal flow at the peripheries (note the stars drawn to the edge) are very commonly seen on 1814 Halves.

The 1815 is traditionally the key date of the series. All are, in reality, 1815/12 overdates but the underpunched numerals are quite difficult to distinguish. This date is actually somewhat overrated and overpriced in lower grades; even Extremely Fine coins are available for a price. Most called "Mint State" are sliders; make certain to inspect the curls and cheek for wear.

No Half Dollars were coined in 1816. In 1817, someone touched-up the obverse; careful inspection shows that he made Ms. Liberty's curls lower in relief and more finely executed. Before this was done, two old-style obverse dies were cut. The first, the 1817/3 (O-101) is common. The second, the 1817/4 (O-102) is extremely rare. Approximately six are now known; specimens are readily identifiable by the odd J-shaped I's in the reverse legend. The other eleven die varieties (i.e., those struck with the obverse modifications) are all common.

A number of important varieties are found on the 1818 Half Dollars. 1818/17 overdates come with a large first 8 and with two small 8's; normal dates come closely and widely spaced. The so-called "Pincer 8's" variety (O-108) has open top 8's from a flaw in the logotype.

In 1819 the obverse was again slightly modified. A number of curls were added below the LI in LIBERTY; it is not known who was responsible for this. 1819/18 overdates are known with a small 9 and a large 9; the latter is found with both italic and upright 5's in the value. Normal Dates are found with close and wide spacing. Like all of the dates in the late 1810's, the 1819 is common in grades up to an including AU-55 but strictly Uncirculated examples are surprisingly difficult to find. In fact, for every ten sold as "Mint State," it is unlikely that more than one actually is.

The 1820 is also notable for its unusually large amount of significant varieties. These are the 1820/19 with small, flat based 2 (O-101), the 1820/19 with small, curve based 2 (O-102), the normal date with small curve based 2 (O-103), the normal date with extra wide large date and flat based 2 with knob (O-104 and 105), plus the normal date with large close date, flat based 2 with no knob (O-106, O-107 and O-108). The fourth of these varieties (i.e., the large wide date) is, by a slight margin, the scarcest.

The complexity of the 1820 varieties is contradicted by the simplicity of 1821. Only seven die varieties are known and none of these are significant. Mint State pieces are, for some reason, less frequently seen than the 1820.

For 1822, there is an 1822/1 overdate (Overton numbers 101, 102 and 106) plus twelve die varieties for the normal dates. One of these (O-114) has large E's in the reverse legend, the others have small E's.

The number of significant varieties for 1823 is mind-boggling. For starters, there are the popular “Broken 3” (O-101), the “Patched 3” (O-102), and the “Ugly 3” (O-111a). There are also three die varieties with “Normal 3” and Large C in 50C (O-103, O-111 and O-112) and three die varieties with “Normal 3” and Small C in 50C (O-104, 108 and 109). To these can also be added the Tall 1 in date, Large C in 50C die varieties (O-105 and O-106) plus the Tall 1 in date, Small C in 50C die variety (O-107). As a date, the 1823 is one of the more common Halves of the 1820’s. It is avidly collected by specialists, primarily on account of the numerous intriguing varieties contained within the issue.

There are two known overdates for 1824. The first, “1824/2/0” (O-103; also called “1824 over various dates”) represents the re-use of an old (circa 1820) die. The second, 1824/21, is found with two die varieties: O-101 and O-102. There are, as well, two 1824/4’s. The first, O-109, has a Tall 1 and “Fancy” 2 (O-109); the second is similar but has “OF” punched over “CF” on the reverse (O-110). The normal date varieties are divided into Tall 1, Plain 2 and Short 1, Plain 2 categories. High grade examples of this date are amongst the more easily procured issues of the 1820’s.

1825 Half Dollars are far less confusing than their immediate predecessors. Major divisions can be made into Fancy 2 and Plain 2 varieties. The rarest die variety of the year, O-109, has very large A’s in the reverse legend.

The 1826 Half Dollars are also divisible into Plain 2 and Fancy 2 subgroups. One variety, O-112, shows “OFAMERICA” as one word; this is a very common coin.



1827. A “commercial” MS 65 Bust Half Dollar; note the friction on Ms. Liberty’s cheek and on the curls below and to the right of LIBERTY.



1829. A real MS 65 Bust Half Dollar. Unlike the 1827, this piece has no rub on the high spots.

With 47 known die varieties, the 1827 has the honor as the most extensive issue of all Bust Half Dollars. While most of these die varieties are common, a few are legitimately rare: O-137 (Fancy 2 with flat base; large A’s in the legend), O-122 and O-138 (same obverse as last; normal A’s, small C in 50C) and O-109 - 11, O-140 (Plain 2). An 1827/6 overdate is known (O-101 and 102) but this is quite common. For some unknown reason, this date is surprisingly scarce in Mint State; a particularly rare variety in high grades is the Curved Base 2 (O-146 and 147).

While there are “only” 23 die varieties known for 1828, there are a high number of specific varieties known. Curve Based 2 varieties are found with an without “knobs” on that digit. Flat Based 2 varieties are found with large and small 8’s. One of the latter varieties has a number (O-118) which is notable for its positioning of UNITEDSTATES as one word. This is another date which is very common in grades up to and including Choice AU but which is very hard to find in strict Mint State.

The coinage of 1829 is introduced by a pair of 1829/27 overdates. One has a very large 5 in 50C (O-101), the other has a smaller 5 with a different style top (O-102). The normal date varieties are usually divided into those with small letters and those with large letters (O-110 and O-116); the latter is somewhat overrated due to its status as a distinct type coin.

1830 Half Dollars are amongst the more common issues of the Bust Half Dollar type. Varieties exist with Small O's in the legend, Medium O's (found only on O-119) and Large O's. By a large margin, the rarest die variety of the year is O-114 which employs a Large Letters reverse probably left over from 1828.

One would be hard-pressed to find a more easily understood year than 1831. There are 19 die varieties; nine have perfect 1's in the date while ten have blunt 1's (i.e., with no serif).

The 1832 Large Letters (O-101) has the distinction of being one of the more readily-recognizable die varieties of the entire series. All show a large crescent-shaped die break on the eagle's left wing. This variety is extremely underrated in Mint State. The other 21 die varieties for this year have Small Letters; these can be subdivided into groups with short-topped 5's and long-topped 5's. Many 1832 Half Dollars are poorly struck at their peripheries and display significant metal flow at the star and inner fields.

The coinage of 1833 contains no particularly significant varieties. Specialists may be interested in the three Large 50C die varieties (O-103, O-104 and O-114). As with the 1832's, this date is often found poorly struck.

1834 Half Dollars come in three very easily recognizable varieties: Large Date with Large Letters, Large Date with Small Letters and Small Date with Small Letters. A few of the die varieties for this year are found with a different obverse device punch than on the previous emissions. These varieties, the so-called "Heads of 1835," have a great curvature to the bust line than on the "Heads of 1834".

The 1835 Half Dollars are, along with the 1834, amongst the more common dates of this type. Die varieties exist with straight and curved topped 5's in the value. All 1835 Halves, except for O-103, have a large C in the value.

A number of interesting die varieties are found on the 1836 (Bust) Half Dollars. The so-called "1836/1336" (O-108) shows clear traces of the knobs of a 3 with the left-hand loops of the 8. The "50/00 C" reverse (found on O-116) is quite scarce.

In 1836, advanced technology caused a major design change. The Mint purchased a new steam press which enabled coins to be struck with a closed collar. This made the edges of a coin thicker and meant a change from the old lettered edges to new reeded edges.

Christian Gobrecht was given the responsibility of creating a new design. His new Half Dollar, it turned out, was basically a rehash of the old Reich design. Gobrecht sharpened the fine details and removed the motto above the eagle. In 1838 he again changed the reverse lettering and, as well, changed the value from "50 CENTS" to "HALF DOL."

The 1836 Reeded Edge halves were coined on November 8 of that year. Approximately 1,200 (plus an unknown number of Proofs) were coined. For many years these coins were considered to be patterns (Judd-57) but recent research by Robert Julian has shown that they were, in fact, legal issues intended to be circulated.

All 1836 Reeded Edge Half Dollars show doubling on the bases of 50 CENTS as well as a small die crack from the rim down into the field to the field just right of the second S in STATES. Breen accounts for eleven different Proofs and claims that a few more, unknown to him, may exist. As a date, the 1836 Reeded Edge is somewhat overrated. The collector seeking a nice Fine-Very Fine example should have no difficulty locating one; strictly Mint State pieces are, however, quite scarce.

The 1837 Reeded Edge Halves are common in all grades except Mint State. Many pieces

are weakly struck at the value and the reverse rim and show planchet imperfections. Four Proofs are known.



1837. A typical example of the Reeded Edge, 50 CENTS type. Note the general mushiness of the strike and the surface marks indicative of extensive circulation.

Similar comments hold true for the 1838; this is, as well, a somewhat overpriced coin due to its two-year status. Three or four Proofs are known.

The first Branch Mint Half Dollar to be coined was the 1838-O. A total of twenty pieces, all Proofs, were struck. Nine of these are known today with four of these showing significant impairments.

As a date, the 1839 Reeded Edge Halves are common. An extremely rare variety, the "Small Letters" reverse, is known to only a few collectors. This reverse, also found on Judd-95, is significantly different from the regular reverse. On the Small Letters reverse the eagle's claws are closed, the lettering is fairly distant from the border, only two arrow butts show, there are paired berries above H in HALF and the shield is small and away from the arrow feathers. Approximately four-five are known.

The final issue of the Reeded Edge type was the 1839-O. This is a profoundly overrated coin in lower grades; strictly Mint State pieces are rare. At least five Proofs are known; they have double punched mintmarks and are struck from dies rotated 180°.

Bust Half Dollars are avidly collected by die variety as well as by type. The standard reference is Al C. Overton's *Early Half Dollar Die Varieties, 1794-1836*. Purchase of one of the revised editions is mandatory as the first edition is nearly impossible to use. M. L. Beistle's *Register of United States Half Dollar Die Varieties and Sub-Varieties* is primarily of bibliophilic interest.

In closing, another word about grading is important. Bust Half Dollars are amongst the most overgraded of all types. The purchase of a "Gem Mint State" coin must be done with caution; if you are in doubt, send the coin to ANACS or NCI.

U.S. Dollar Hits New Record Highs, Concern Increases for the Fall.

Trade Deficit suffers as \$100 billion plus is the new record.

How long will foreigners buy U.S. Treasuries?

by Mike Haynes

WASHINGTON — The Federal Reserve in its January, 1985 edition of the *Federal Reserve Bulletin* shows the U.S. dollar trading at historically high levels against most foreign currencies including the French franc (FF), the West German deutsche mark (DM), and the British pound (BP). Since January of 1984, the dollar has recorded an all time high against both the FF and the BP, and a 13 year high against the DM.

International economists are beginning to be concerned about the record trading levels of the dollar, specifically with respect to two groups, the trading partners and the debtors to the U.S.

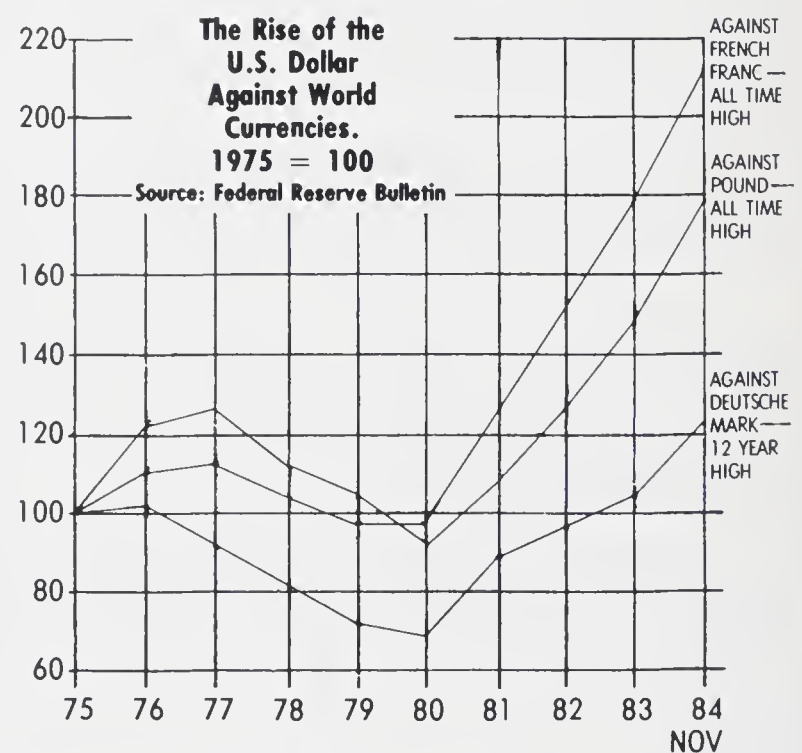
From the perspective of the trading partners, the dollar's rise has caused U.S. goods to increase in price relative to the goods of other countries. On one hand, other countries benefit because their goods become cheaper on world markets relative to the dollar, raising the exports of their respective countries. From another viewpoint, U.S. goods become more expensive to import, and force prices higher in their respective economies for U.S. manufactured goods. Since rising prices equal inflation, the trading partners of the U.S. have been experiencing inflation rates of 1% to 2% higher as a result of the strong dollar.

As for the debtor nations, the burden of a rising dollar causes probably more hardship than benefit. Since the debtor nations' loans are denominated in dollars, it requires more and more local currency to pay off the staggering debts as they become due. In essence, because of the rising dollar, the principal owed by the debtor nations increases.

The benefit to the debtor nations is the relative lower cost of their exports with respect to U.S. goods on world markets. Of course, without an increase in productivity by these debtor nations, the benefit of higher exports is wiped out by the rising principal on their debt.

Why the dollar is strong

Since President Reagan took office in 1981, the dollar has grown in strength primarily due to the high "real" interest rates offered on U.S. Treasury debt. The "real" interest rate is the



difference between the nominal or face rate and the inflation rate. Historically, “real” rates have been 3%. However, U.S. Treasury bills have been paying higher than a 3% “real” rate.

The high “real” U.S. rates coupled with the perceived weakness of the economy in other countries have caused strong demand for dollar denominated instruments. Naturally, to buy a dollar denominated instrument, it must be paid in dollars. Hence, the demand for dollars on the open market has been high, forcing the value of the dollar, relative to the buyer’s currency, to increase.

Therefore, the strength of the dollar is strictly economic: a holder of, for example 5 million BP, has a choice to buy BP interest bearing instruments, or DM instruments, or any other currency denominated instrument. The decision to buy is based on two factors, (1) the current interest rate in each of the currencies, and (2) the anticipated future course of exchange rates. Is it better to hold DM and earn 5.92%, or the U.S. dollar and earn 10.13%? Recently, the answer has been to buy the dollar.

The benefits to the U.S. of a strong dollar

Certainly the U.S. has benefitted from the rise of the dollar. Principally, the benefits have come in two major areas: money and inflation.

As for many, it is clear that foreign buyers of U.S. Treasury obligations have provided a new source of operating cash for the U.S. Government at a time when it was sorely needed. With a deficit of almost \$200 billion for the last two years, the need for cash has been exceedingly large. These foreign sources have reduced the need for the Federal Reserve to create “new money” to buy up the Treasury obligations. Obviously, the creation of “new money” is highly inflationary, but certainly a requirement if there simply is not enough cash available to purchase the ever growing federal debt.

Foreign buyers have substantially increased their holdings of U.S. Treasury obligations since 1981. In fact, the U.S. federal debt has increased by 48% since 1981, while Europeans have increased their holdings by 81%.

On the inflation front, economists seem to generally agree that the strong dollar has kept inflation down by 2%-3% during 1984. These results are attributable primarily to the steady, if not declining, prices of foreign goods (as priced in dollars), and the reduced need for the Federal Reserve to create “new money”.

The drawbacks of a strong dollar

Besides the results of an eventual fall in value, the main drawback of a strengthening dollar is the trade imbalance that is created.

The trade imbalance is caused by the free market forces at work in the world. As the value of the dollar rises, U.S. goods become more expensive than foreign counterparts. Consequently, two reactions occur: (1) U.S. goods are less likely to be bought (thus lowering exports), and (2) foreign goods are more likely to be bought by U.S. consumers (thus increasing imports). As the imports rise and the exports fall, the trade balance turns negative when imports exceed exports creating a deficit.

The trade deficit for the last two years has been a staggering \$100 billion plus each year. The direct result of a trade deficit is that U.S. wealth is paid out to foreign companies for their

**A History of International Interest Rates
Interbank Loan Rates**

(in annual percentage rates)	1981	1982	1983	1984 (Nov)
France	15.28	14.61	12.44	10.54
West Germany	12.05	8.81	5.73	5.92
United Kingdom	13.86	12.21	10.06	9.87
United States	15.32	11.89	8.9	10.13

Source: Federal Reserve Bulletin

Foreign Holdings of U.S. Treasury Obligations

(in billions of dollars)	1981	1982	1983	1984 (Sept)	Change in Holding
West Germany	11,861	14,841	17,290	19,915	+ 67 %
United Kingdom	6,709	6,549	8,515	11,988	+ 78 %
All of Europe	24,012	29,284	35,509	43,661	+ 81 %

Source: Federal Reserve Bulletin

goods. Indirectly, the results are far more ominous.

To begin with, the trade deficit represents goods that were produced in other countries to the benefit of the workers in those countries. It is easy to see that for the last two years \$100 billion has been paid to support foreign workers instead of their U.S. counterparts. In the final analysis, the trade deficit has exported U.S. jobs.

Unemployment, or at least lower incomes, as a result of the trade deficit also hurts the U.S. Government tax revenue from both individuals and corporations. Certainly the U.S. Government can not afford the loss of revenue considering the \$200 billion budget deficits.

On another front, U.S. exporters are hurt by the rising dollar, because through no fault of their own, the price of their goods increases each time the dollar ticks up to higher levels. For example, as a buyer of a 500 horsepower electric motor, do you purchase the U.S. made motor for 1,000 units of your currency, or pay 950 units for a West German product? What if the prices were 1,050 for the U.S. produce and 950 for the German product?

Regardless of their selling efforts, U.S. exporters will eventually be forced to lower their sales prices (thus reducing taxable income), or accept lower total unit sales.

The danger of record dollar levels

The dollar simply cannot continue to increase. Eventually, U.S. dollars at U.S. interest rates will prove to be an uneconomical purchase. The U.S. federal budget deficit and the trade deficit will create such uncertainty that prudent international investors will diversify their holdings by selling dollar instruments for other currencies.

What will be the result of the eventual weakness of the dollar? How fast will the dollar fall?

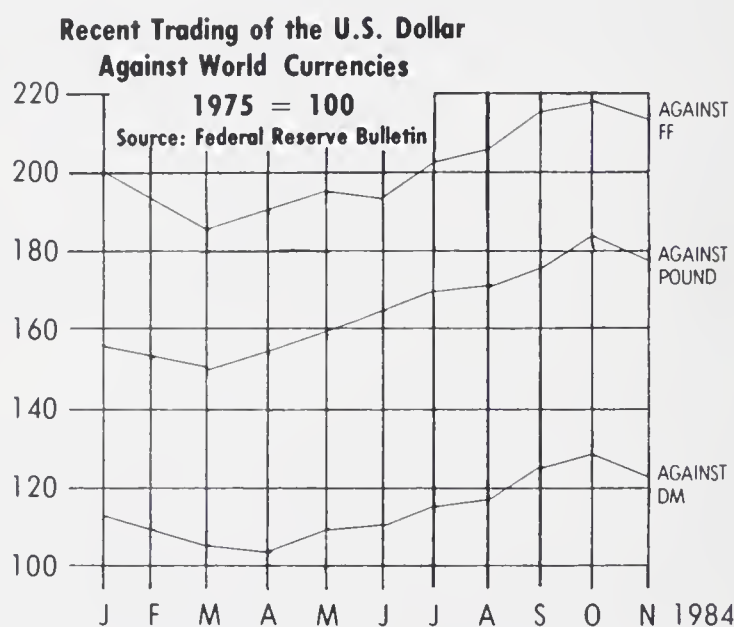
Because no single currency has ever run up to such historic levels, no one can predict with reasonable accuracy the consequences of the dollar's fall. Only the fact that it will fall is known.

Many economists predict that the benefits of the strong dollar will simply be reversed. For example, foreign buyers will shun U.S. Treasury obligations instead of clamor for more. The result: the need to create money to buy the federal debt. There are two ways to accomplish this goal, and neither are too exciting. First, interest rates on the debt could be increased to attract more buyers. Secondly, more money could be created to purchase the debt. Depending on the timing of the fall, it may be more acceptable to create the money than raise interest rates and risk an economic recession. Obviously, creating money causes inflation.

Another benefit reversal would be the cost of imported products going up instead of down. This too would have a direct impact on the inflation rate.

The speed with which the fall might occur is only a matter of pure speculation. A hint of the probable quickness of the decline is offered by the exodus of capital from the Continental-Illinois Bank. Continental was very aggressive in seeking deposits of international funds. When the bank had liquidity problems, their telex was constantly busy recording the requests for withdrawals, so busy in fact that billions were transferred out of the bank in only a matter of days.

The virtual instant communication available today causes the volatility of the situation to heighten. Whether or not a run on the dollar could take days or months is a matter to be



determined by the course of events. However, the possibility of a quick retreat is ever present given the communication capabilities of today's financial markets.

The prospect for the future

What has happened over the course of the last several years has been either one of the most intelligent or most fortunate financial/political moves of all time.

By keeping "real" rates at high levels, the Treasury has been able to keep the cash flowing without increasing the inflation rate. Coupled with brisk economic growth resulting from \$200 billion deficit spending, the "magic" of prosperity at home with giant deficits has been accomplished along with the largest presidential landslide ever.

Soon, however, the pendulum must swing back. The inflation that was postponed for the last four years will return as the free market reacts to an overvalued dollar. Whether it returns all in one year or over the course of several years will depend on the quickness of the decline.

It there's any consolation to the forthcoming events it is that the free market works. The market can be deceived for short periods of time, but the reality of the best product for the best price ultimately rules. □

When you consign your coin collection with Heritage, you'll have every reason to know you obtained the highest possible bids. Today's buyers relate to the way Heritage does business today! They demand top performance from their auction firm. And Heritage delivers — top level service, superb color catalogs and bidding convenience like CompuBid™.

By combining full regard for the traditional values of rare coin auctioneering with a total understanding of today's market, you benefit in both directions.

Today! Heritage aggressively markets your coins for top prices in top auctions.

It takes a strong aggressive appeal to attract today's buyers that will pay top dollar for your coins. Heritage uses a full range of innovative marketing techniques to make sure your coins are given every opportunity to realize the full market price they deserve.

No other auction firm has been as innovative in advertising, cataloging and promotion, and no other auction firm reaches as many qualified buyers *before* the auctions. Our bidders are reached through compelling advertisements, direct mail solicitation and finally by the finest color catalogs printed today.

Today! Heritage commissions are always competitive because we want your business.

You put the most money in your pocket when you contact Heritage. Not only do your coins realize today's top prices, but our commission rates help you take home more of the hammer price.

Since your collection represents a large investment of your time and money, isn't it important to realize the maximum amount for its sale?

Today! Heritage catalog quality attracts cream of the crop bidders.

No one takes greater care today assembling a coin auction catalog than Heritage. We published the first all color catalog — and we're still the leader in vibrant color printing that shows your coins in their full splendor.

Because of our crisp color photos, Heritage bidders feel more confident in their bids, and therefore bid more aggressively.

Because of our thoroughly researched word-picture descriptions, Heritage bidders find more information and develop a mind's eye image that aids in crystalizing their top bids.

Today! Heritage people are so friendly, your experience with them will be pleasant, memorable, and successful.

Treatment like a valued customer is just what you receive at Heritage. We recognize that top level service is what you expect — and that's what we deliver.

Our staff of experienced, competent, and dedicated numismatists is eager to assist you. They enjoy their work and you'll enjoy the benefits of their enthusiasm. Your collection will receive their full attention. The successful sale of your coins is the single most important objective of our auction team. Thoroughness, promptness and genuine concern for your wishes is foremost every step of the way.

Today! Heritage is waiting for your toll free call — dial 1-800-US COINS.

Today's fresh new buyers are waiting for your coins. Call us now on our toll free number 1-800-US COINS and start the discussion about your once-in-a-lifetime collection. There's no obligation, and you will benefit by selling to today's buyers and putting more of the dollars in your bank account.

Your once-in-a-lifetime coin collection won't attract fresh new buyers with a stuffy old auction company stuck in the past.



Jim Halperin and Steve Ay, Numismatists

Yesterday's finest coins deserve today's foremost auctioneer.
1-800-US COINS

Selected as the official auctioneer for the 1980, 1982 and 1985 ANA Sales, and the 1983, 1984 and 1985, Mid-Winter ANA Sales.

7950 Elmbrook Drive, Suite 100, Dallas, Texas 75247, In Texas 214-631 1110, WATS 1-800-US COINS (872-6467)

MARKET INSIGHT

by Jim Halperin and Steve Ivy

Having just returned from a very successful Long Beach coin show, we can't help but be anything but highly optimistic for the numismatic marketplace in 1985. We saw more new faces — as well as some old ones we haven't seen in some time — than at any time over the past few years.

We noticed that sales on both the retail and wholesale levels were very healthy. The demand for items was broad based as no area of the market was being neglected, unless one considers modern material an integral part of the marketplace.

The real key continues to be quality as dealer, collector, and investor compete for those elusive gems. The prudent and wise individuals, however, seem to be tucking away some very acceptable material at reasonable levels — avoiding 1880-S Dollars at \$3,000-\$5,000 each, superb Commemoratives at five-six times bid, awesome common date Dollars at ten times bid, etc. This is not to say these individuals feel there is no future for such coins, but rather the potential is far greater for coins which just miss awesome and are merely in the nice to wonderful category. Time will tell, but we tend to agree!

A handwritten signature in cursive script, reading "Jim Halperin". The signature is fluid and stylized, with a large loop at the end of the last name.A handwritten signature in cursive script, reading "Steve Ivy". The signature is fluid and stylized, with a large loop at the end of the last name.